

State of South Dakota

# 2014 Interim Committee Reports

Legislative Research Council

November 10, 2014

# 2014 Interim Committee Reports

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## **Agricultural Land Assessment Implementation and Oversight Advisory Task Force**

The Agricultural Land Assessment Implementation and Oversight Advisory Task Force consists of four members of the House of Representatives, four members of the Senate, and six members of the general public (at least two of the general public members shall have an agricultural background and at least two of the general public members shall have a business background).

### **Study Assignment**

The Task Force shall review the implementation of the provisions of law concerning the assessment and taxation of agricultural land and advise the Department of Revenue regarding the rules promulgated by the Department to administer the provisions concerning the assessment and taxation of agricultural lands. In addition, the Task Force shall make recommendations in the following areas:

1. The proper percentage of annual earning capacity to be used to determine the agricultural income value for cropland and noncropland;
2. The proper capitalization rate that minimizes the shift in total taxable value between agricultural land and the other property classifications; and
3. The distribution of the local effort for the general fund of school districts between the classifications of real property for the general fund of school districts. The task force shall also consider the other taxes paid by agricultural property, the relationship of the total assessed value of agricultural property to the total assessed value of all real property, and other factors the task force deems appropriate.

### **Summary of Interim**

The interim Agricultural Land Assessment Implementation and Oversight Advisory Task Force held its first meeting on July 22. Mr. Michael Houdyshell, Director of Property and Special Taxes Division for the Department of Revenue, presented the Report on Productivity Valuation for the 2015 Assessment Year. The items of note for 2015 that were reported are:

- The cropland olympic average increased 14.12 percent on a statewide basis (compared to 13.59 percent in 2014).
- The noncropland olympic average increased 2.00 percent on a statewide basis (compared to 1.49 percent last year).

Mr. Houdyshell said that there have been some issues with the Natural Resources Conservation Service (NRCS) websoil survey and the new data that has been made available. Counties have reported that NRCS is showing new map units with new soil types and the counties tables don't reflect that new information. The Department of Revenue is working with the counties to address this issue, which may cause some confusion for the land owner during that process.

A group of landowners from Pennington County visited with the task force about the criteria used for classification of land as agricultural property. The group believes that the criteria are outdated and unclear. It is their position that the law contains ambiguities and lacks clear definitions of terms resulting in inconsistent interpretation and application of the law for small ag landowners with less than 160 acres. The task force has taken the matter under consideration and may propose legislation amending SDCL 10-6-31.3

During the second meeting on September 15, Dr. Burton Pflueger, Economics Department, South Dakota State University spoke to the task force about the landlord share factor and the capitalization rate or multiplier. Dr. Pflueger recommended, after reviewing several sources of data for South Dakota and the surrounding states, that there be no change in the present landlord share factor of 35%. Dr. Pflueger also recommended that the

capitalization rate or multiplier of 6.6% remain unchanged, at this time. Both are factors used for determining agricultural income value and ultimately the individual's property tax assessment

Dr. Eluned Jones, Department Head, Economics Department, South Dakota State University, introduced Dr. Matthew Elliott as a new department Assistant Professor. Dr. Matthew Elliott briefly reviewed his professional background. Dr. Elliott will be working with the Department of Revenue and the task force concerning the productivity valuation system model.

Fred Baatz, Principal Research Analyst provided the task force with information on how surrounding states and Colorado classify agricultural property. He reviewed how these states used the following criteria used to determine an ag property classification: defining an ag purpose, setting acreage and income requirements, and determining whether property was contiguous or part of a management unit.

Mr. Houdyshell referred to a handout that summarizes the 2012 interim task force's suggestions for legislative fixes to allow for adjustments for conservation easements on lands with crop-rated soils. The suggestions involved making adjustments based on the soil type, making straight percentage adjustments, or possibly placing a time trigger on any adjustments made. He said in making conservation easement allowances one should consider the monetary benefit to the landowner who has been granted easements and who then could get a tax break on the same property, versus the concerns of future owners who didn't get the immediate monetary benefit. There is concern that not all of the county directors of equalization use the statutory allowed adjustments tools available to them. The department does encourage and provide guidance to directors to make adjustment where valid.

Ms. Brenda Forman, representing several agricultural associations and organizations said that they favor actual use for determining whether land is assessed as cropland or noncropland. They are requesting the task force to support a SDSU research project that would determine the impact of changing from highest and best use to actual use. She said actual use assessments will result in a shifting from cropland to noncropland and vice versa. The questions are: to whom, how much, and will it be appropriate? She said additional research, data collection, and analysis is needed.

### **Listing of Legislation Adopted**

Possible legislation will be discussed at the November 18 meeting.

### **Summary of Meeting Dates & Places**

The Task Force met on June 12, July 22, and September 15 in Pierre.

### **Listing of Task Force Members**

Task Force Members were: Senator Larry Rhoden, Chair; Representative Justin Cronin, Vice Chair; Senators Jason Frerichs, Al Novstrup, Billie Sutton; Representatives, Julie Bartling, Mark Mickelson, and Jim Peterson; and Public Members Walt Bones, Kirk Chaffee, H. Paul Dennert, Curt Everson, Tom Hansen, and Lyle Perman.

### **Listing of Staff Members:**

Staff members were: Fred Baatz, Principal Research Analyst; Cindy Tryon, Senior Legislative Secretary; and Rena Ortbahn, Committee Secretary.

## **Alcoholic Beverage Shipping and Distribution Interim Committee**

### **Study Assignment:**

A comprehensive review of alcoholic beverage shipping and distribution regulation in South Dakota. The study included:

- (1) The three-tier system of alcohol distribution in the state to determine if the current system is necessary and appropriate in today's society;
- (2) The intrastate and interstate shipping of wine, beer, and spirits, including how the shipping would affect the three-tiered system including equality of taxation, enforcement, equality for retailers - both in-state and out-of-state, social issues, and permits and licenses; and
- (3) The possibility of creating a direct-to-consumer winery shipping law.

### **Summary of Interim:**

The committee began its examination of alcoholic beverage shipping and distribution laws in June. After an initial review of the scope of the committee, Heather Morton from the National Conference of State Legislatures reported on systems used around the country for alcohol distribution and shipment. Ms. Morton reported that each state has a three-tiered distribution system, consisting of 1) manufacturers and producers, 2) distributors and wholesalers, and 3) retailers, including stores, bars, and restaurants. This is meant to provide a system of checks and balances to ensure the quality of the alcoholic beverages and simplify the collection of taxes. Each state is either a license or a control state. A control state operates the distribution tier and may participate in the retail tier through state-run liquor stores. A license state does not participate in distributing or selling alcoholic beverages, it merely issues licenses to do so. South Dakota is a license state.

Jason Evans from the Department of Revenue made a presentation regarding the regulation and taxation of alcoholic beverages in the state. Mr. Evans reported that under the three-tier system, only manufacturers are allowed to sell alcohol to wholesalers, only wholesalers can sell to retailers, and only the retailers can sell alcohol to the end consumer, which maximizes control over the industry and minimizes tax administration and enforcement. There are currently 60 alcohol taxpayers in the state, and 5,394 retail liquor/beer licensees. Mr. Evans explained that there are three exceptions to the three-tier system. The first exception was implemented in 1989 and applies to malt beverage manufacturers who produce 5,000 barrels or less and sell the product for on premise consumption only. There are 10 such licensees at this time and there is a \$500 annual license fee. The second exception was implemented in 1996 and allows farm wineries that produce up to 150,000 gallons annually to sell their product for either on-premise or off-premise consumption. Currently, there are 26 such licensees and the license costs \$100 annually. The third exception to the three-tier system is the artisan distillers. An artisan distiller can produce up to 50,000 gallons annually and can sell their product for either on-premise or off-premise consumption. The artisan distiller may sell to wholesalers and to end consumers but cannot sell directly to retailers. There are four such licensees and the license costs \$500 annually. Mr. Evans reminded the committee that a change to the three-tier system would likely require more staffing for the Department.

Bob Riter, a registered lobbyist for the South Dakota Beer Distributor's Association, gave a summary of the history of alcohol sales, going back to prohibition. Mr. Riter pointed out that there were less than 50 brewers in the country in 1950, and now there are more than 2,400. Mr. Riter also briefly explained how the distribution territories worked with the consumers, in that retailers can only buy alcohol from a certain distributor, which has to sell to all retailers at the same price. A retailer cannot buy from a different distributor, pursuant to an agreement with the manufacturers.

Jeremiah Murphy, a registered lobbyist for Republic National Distributing Company, and Tim Dougherty, a registered lobbyist from the Licensed Beverage Dealers of South Dakota, both testified that their clients would

not oppose wine shipment provided the taxation were equal between in-state and out-of-state wineries and distributors. Jim Hood, a registered lobbyist for the Wine Institute, and Diana Miller, a registered lobbyist for South Dakota for Better Wine Laws, both testified that their clients supported direct shipment of wine, promoting the economic benefits to the state from wine shipped to residents.

At the second meeting, Roxanne Hammond, Legislative Attorney, presented to the committee on the alcohol-related legislation from 2010-2014. Ms. Hammond reported that since 2010, 63 alcohol-related bills have been introduced, and 24 of those bills passed. The bills passed include a law creating a combination license for the sale of both malt beverages and wine, a law allowing alcoholic beverage licensees to charge a corkage fee, and a law to allow wineries to pay taxes quarterly. A handful of bills that would have allowed direct shipment of wine were introduced, but failed.

Jeremiah Murphy and Tim Dougherty presented draft legislation, as requested during the first meeting. The template for the draft legislation was the wine shipment bill used in 2014 (SB 114), with some additions brought by their clients. Changes included defining a “wine carrier”; requiring wineries to choose to register a wine label for either direct shipment or retail, but not both; the increase of the wine shipment registration fee from \$150 to \$250; as well as administrative changes to the reporting to the Department of Revenue and penalties. Diana Miller spoke against the proposed bill, stating that her client does not support the registration of wine carriers, and the increase of the fee is disproportionate compared to surrounding states.

Paul Lewis, owner of Black Hills Dakota Distillery, pointed out several discrepancies between artisan distilleries and farm wineries, including a \$500 license fee for distilleries (\$100 for farm wineries), and the inability of distilleries to sell to distributors and retailers like farm wineries. Mr. Lewis presented two proposed bills that would allow artisan distilleries many of the same rights as farm wineries. Bob Riter spoke in favor of giving the same rights to craft brewers as well. The committee also heard public testimony in favor and opposition to direct wine shipment.

At the third meeting, three pieces of legislation were presented for committee consideration. The first draft was based on the draft presented at the prior meeting by Tim Dougherty and Jeremiah Murphy. Some changes to the legislation included the addition of a 1% direct shipment tax applied to the retail price of all wine shipped into the state, in lieu of the 2% wholesale tax applied to other alcohol sold through wholesalers in South Dakota. The bill also included a section requiring the Department of Revenue to keep a list of registered wine labels available to the public, and a section prohibiting wine to be sold below the wholesale cost.

Jeff Carol, Vice President of Compliance, ShipCompliant, of Boulder, CO, testified via telephone. Mr. Carol said that his company runs shipment compliance services for wineries that are allowed direct shipment to other states. ShipCompliant is a software program that tracks state wine shipment laws and ensures that businesses that use their services are compliant with each state’s wine laws.

Dianna Miller spoke in favor of the first piece of legislation. Jeremiah Murphy presented a document entitled “Level Playing Field”. Mr. Murphy said that making the list of wines delivered into South Dakota available will help South Dakota’s wholesalers in knowing what wines are being sold through direct shipment. Tim Dougherty testified in favor of registering wine carriers. Jason Evans from the Department of Revenue requested a delayed implementation date in order to allow the department to prepare for the new system. The committee agreed that the current legislation was not up to standard and should be revised and resubmitted at the next meeting.

During the final meeting, the committee heard discussion on four bills. Roxanne Hammond from the LRC went through the changes made to the direct wine shipment bill draft from the previous meeting. Tim Dougherty, Dianna Miller, Jim Hood, Don Roesler, Bob Riter, Jeremiah Murphy, and Yvonne Taylor all spoke in favor of, or

acceptance of, the draft proposal. Jason Evans said the department does not support nor oppose this draft. Tim Dougherty suggested several amendments, and three amendments were integrated into the draft. The suggestions to raise the fee to \$250 and add local mark ups were rejected. The committee discussed using bottles versus weight to track the amount of wine shipped into the state, ultimately deciding to use weight.

The committee then discussed the second draft legislation, a bill allowing artisan distillers to sell their products directly to retailers and wholesalers. Bob Riter testified that in-state businesses must be given the same rights as out-of-state businesses, and carving a specific niche may cause problems later. Paul Lewis and Jeremiah Murphy testified in favor of the draft.

The committee then heard testimony on the third draft, creating an appropriation to the Department of Revenue to aid in the electronic submission of reports and taxes related to direct shipment of wine and alcoholic beverages.

Finally, the committee heard testimony on the fourth draft, a bill to abolish the wholesaler tax and transfer costs into the occupational tax. Jeremiah Murphy and Tim Dougherty both testified in favor of the bill.

### **Listing of Legislation Adopted by the Committee**

1. An Act to establish a wine direct shipment license and wine carrier license to enable the direct shipments of certain wine in South Dakota.  
This bill provides for the direct shipment of wine to consumers, as well as sets up infrastructure for the payment of taxes for the wine shippers, and creates penalties for failure to register prior to wine shipment.
2. An Act to allow for the direct sale of distilled spirits from artisan distillers to retailers and wholesalers.  
This bill allows artisan distillers to sell their distilled spirits directly to retailers and wholesalers, up to a certain gallon amount.
3. An Act make an appropriation to fund the Department of Revenue to aid in the electronic submission of reports and taxes related to alcoholic beverages and to declare an emergency.  
This draft allocates \$100,000 to the department to be used to create infrastructure to allow out-of-state wineries and other alcohol taxpayers to submit their taxes electronically.
4. An Act to abolish the alcohol wholesaler tax and transfer costs to the occupational tax on certain alcoholic beverages.  
This bill eliminates the 2% wholesaler tax and increases the amount of the taxes paid per gallon under the occupational tax.

### **Summary of Meeting Date and Places**

The Alcoholic Beverage Shipping and Distribution Committee met in Pierre on June 10<sup>th</sup>, July 7<sup>th</sup>, September 2<sup>nd</sup>, and October 20<sup>th</sup>, 2014.

### **Listing of Committee Members**

Committee members were: Representative Roger Solum, Chair; Senator Corey Brown, Vice Chair; Senators Jim Bradford, Ryan Maher, and Craig Tieszen; and Representatives Brock Greenfield, Troy Heinert, and Timothy Johns.

### **Listing of Staff**

Staff members were: Roxanne Hammond, Legislative Attorney, Fred Baatz, Senior Research Analyst, Doug Decker, Code Counsel, Aaron Olson, Fiscal Analyst, and Cindy Tryon, Senior Legislative Secretary.

## Joint Interim Committee on Appropriations

### Study Assignment

#### **SDCL 4-8A-3. Powers and duties of special committee (also known as the "Joint Interim Committee on Appropriations").**

*The special committee shall serve to release sums of money from any general contingency funds appropriated for contingent purposes by the general appropriation act or any special act. The special committee shall also serve to continually review, evaluate, and coordinate state fiscal and budgetary policy including, but not limited to, the adoption of any new programs by any department of state government and shall also carry out any assignments made by the Executive Board of the Legislative Research Council.*

*The committee may hold public hearings to review the budget report submitted by the Governor and the long-term capital improvements budget as required in § 4-7-19. The committee may summon and examine witnesses.*

*Source: SL 1974, ch 44, § 3; SL 2014, ch 28, § 1.*

### Summary of Interim

On March 31, 2014, the Joint Interim Committee on Appropriations approved the following letters of intent.

- **Unified Judicial System – Courthouse Remodel Funding.** The 2014 Legislature approved a \$400,000 one-time appropriation in HB1040 to the Unified Judicial System to be used for courthouse remodeling projects. The Letter of Intent clarified the money was to remodel courthouses in Beadle, Meade and Pennington counties.
- **Bureau of Human Resources - State Employee Health Insurance Reserve.** The 2014 Legislature approved the creation of a health insurance reserve fund. The Letter of Intent requested periodic reports be made to the interim and standing appropriations committees. The reports shall be provided at any time the balance of the State Employee Health Insurance Reserve Fund is less than \$3,043,802, and at any time the Bureau deems necessary or is requested by the Committee. During the 2014 interim, the level of the reserve fund did not necessitate a formal report from the Bureau of Human Resources, however, the Bureau reported to the Government Operations and Audit Committee that the fund had a larger than anticipated positive ending cash balance.
- **Department of Transportation – Railroad Trust Fund.** The 2014 Legislature approved a special general fund appropriation of \$7.2M to the railroad trust fund through HB1041. The letter further clarified the intent of the Committee to use \$1.2M for the rehabilitation of the railroad bridge spanning the Missouri River from Chamberlain to Oacoma and approximately \$6M be used to rehabilitate the state-owned rail line between Chamberlain and Presho.
- **Department of Veterans Affairs – State Veterans Home Construction.** The Committee requested quarterly reports containing State Veterans Home construction timelines, budget updates, and any projected deviations from the proposal as presented to the Legislature.
- **Department of Transportation – Aeronautics Fund.** The Committee directed the Department to use \$500,000 in general funds appropriated through SB53 to partially reimburse the Aeronautics Fund for transfers previously approved in the 2010 legislative session.
- **Governor's Office of Economic Development – Ellsworth Air Force Base.** Requested the Office of Economic Development to use funding appropriated in SB53 for the purpose of funding the Readiness and Environmental Protection and Integration (REPI) buffer program at Ellsworth Air Force Base. The Letter of Intent specifies that the Office of Economic Development should use the money as match for a federal program related to sound concentric zones near air bases. The Office was directed to provide quarterly reports on the progress of the project. The September 30, 2014 quarterly report received from the SD Ellsworth Development Authority reported no expenditures to date..



- **Board of Regents – SDSM&T Shale Research.** Requested the Board to provide information on the shale research being conducted at the South Dakota School of Mines and Technology. SB53 appropriated \$464,000 in general funds.
- **Department of Education – State Aid to General Education.** The Committee issued a specific policy guideline concerning the use of a 0.36% increase in the PSA authorized in SB188. The intent of the JCA was that the 0.36% (approximately \$16.72 per student) be used by the local school districts to increase the ongoing average salaries of all certified teachers.
- **FY 15 Discretionary Provider Inflationary Base Rate Increase** – The 2014 South Dakota Legislature approved a 3% discretionary FY15 rate increase to providers. Additionally, a 0.30% base increase to providers was approved for community based providers and nursing homes. This Letter of Intent included details of the increases for each type of provider.

At the June 17, 2014 meeting, the JCA:

- Approved a final Letter of Intent relating to funding provided in SB53 during the 2014 Legislative Session. The JCA notified the Department of Environment and Natural Resources that the intent of the funding was to provide a zero percent interest reimbursable grant to be used as an advance on anticipated federal funding for the Lewis and Clark Regional Water system.
- Adopted the proposed interest proration submitted by the Bureau of Finance and Management.
- Received an update from the Bureau of Finance and Management (BFM) on the new format for reporting budget transfers precipitated by changes in the 2014 Legislative session. SB84 eliminated the requirement that BFM provide transfer summary report during the interim. However, BFM will continue to provide electronic notifications to the Joint Committee when a transfer is approved and will maintain a physical record of all authorizations for inspection by the public.

At the July 28, 2014 meeting, the JCA:

- Received interim revenue estimates as per HB1203 approved by the 2014 Legislature. The new legislation requires the Bureau of Finance and Management and the Legislative Research Council to prepare independent revenue projections by July 31<sup>st</sup> of each year.
  - The Legislative Research Council projected general fund revenue for FY2015 to be \$1,393,700,340, which was \$1,863,907 higher than the adopted revenue estimate.
  - The Bureau of Finance and Management projected general fund revenue for FY2015 to be \$1,392,052,374, which is \$215,941 higher than the adopted revenue estimate.
  - Both entities reminded the Committee that the projections were very preliminary as not even one month of actual data was available for analysis.
- Received a report from LRC staff on the Key Performance Indicator project being developed by the Government Operations and Audit Committee (GOAC). Pilot agencies were selected to modify the performance indicators as they currently exist in the Governor's Budget Book to include agency goals, activities, and outcome measures (including historical trends and targets for each). A new tool is being developed that will assist not only the GOAC, but also the Appropriations Committee and other policy committees.
- Various Agencies provided requested information:
  - South Dakota Health and Education Facilities Authority – status of state debt reduction;
  - Department of Transportation – future of federal highway funding;
  - Department of Social Services – effects of Modified Adjusted Gross Income (MAGI) on CHIP and Medicaid eligibles;
  - Department of Social Services – update on the periodic adjustment of provider reimbursement rates;
  - Department of Education – State Aid to Education and Special Education funding transfers; and
  - Bureau of Human Resources – State Employee Health Insurance Fund update.

The West River Appropriations Tour was conducted from October 8 through October 10, 2014. The tour is typically scheduled every two years and includes visits to state-owned facilities or those conducting activities that receive state funding. The 2014 tour included stops at the following sites:

- Camp Rapid, Joint Force Headquarters Readiness Center
- Sanford Underground Research Facility (SURF)
- Shale Research Initiative presentation from SDSM&T
- State Veterans Home construction site
- Custer State Park
- Department of Corrections – Juvenile Detention Center (STAR Academy, Patrick Henry Brady Academy, Youth Challenge Center)

### **Listing of Legislation Adopted**

None.

### **Listing of Committee Members**

**Senator Deb Peters, Chair**

**Representative Fred Romkema, Vice Chair**

Senator Phyllis Heineman

Senator Tom Jones

Senator Al Novstrup

Senator Alan Solano

Senator Billie Sutton

Senator Larry Tidemann

Senator Bill Van Gerpen

Representative Jim Bolin

Representative Lance Carson

Representative Dan Dryden

Representative Don Haggard

Representative Spencer Hawley

Representative Mark Mickelson

Representative Dick Werner

Representative Jim White

Representative Susan Wismer

### **Staff**

Annie Mehlhaff, Chief Fiscal Analyst

Aaron Olson, Principal Fiscal Analyst

Denice Houlette, Senior Fiscal Analyst

Jason Simmons, Senior Fiscal Analyst

Stephanie Gruba, Fiscal Analyst

Cindy Tryon, Senior Legislative Secretary

## Highway Needs and Finance Committee

### Study Assignment

The committee was established to study the current and future conditions and financial needs to maintain, repair, and improve the state and local highways, roads, and bridges. The study should specifically evaluate:

- The immediate and short-term financing needs to tackle the quality of the local roads and bridges;
- The long-term financing needs to maintain the quality of the state highway and bridge system;
- The inventory of state & local road & bridge conditions;
- The strategies for creating greater efficiency in financing state and local roads;
- The projected federal, state, and local revenues in relation to actual road and bridge needs; and
- The impact of the 2011 and 2013 motor vehicle license fee increases.

### Summary of Interim

During the first two meetings, the committee heard testimony from the Department of Transportation, Department of Revenue, Department of Public Safety; county, municipal, and township officials; and a number of associations and organizations that rely on roads to serve their members.

There are 83,650 miles of roads in South Dakota, of which 8,850 miles are state highways and about 67% of the traffic occurs on the state system. There are 4,436 structures classified as bridges in South Dakota, 72% are locally owned (3,173 bridges) and 28% are state owned (1,263 bridges). However, 60% of the total bridge deck area is on state owned bridges while 40% of the deck area is on locally owned bridges. Information was presented to committee regarding the number of bridges that are structurally deficient (bridges that should be considered for repair to address the deficiency) and functionally obsolete (bridges that have a substandard feature, but it is not an indicator that a bridge is structurally unsafe).

The committee received revenue information on the federal, state, and local funding sources which during the interim was referred to as a six-legged stool. The six legs listed as primary revenue sources for roads and bridges included the motor vehicle excise tax, motor fuel excise tax, registration fees, property taxes, wheel taxes, and federal funding.

There were six regional meetings held across the state to discuss surface transportation needs and funding solutions. Meetings were held in Yankton and Sioux Falls on July 1, Watertown and Aberdeen on July 2, and Belle Fourche and Rapid City on July 23. There were approximately 360 people in attendance at the six regional meetings and about 110 people testified on the state and local highway needs and financing.

### Listing of Legislation Adopted

Possible legislation will be discussed at the November 6 and 7 meeting. There are 19 draft bills that will be discussed at the meeting.

### Summary of Meeting Dates & Places

The committee met on June 17 and August 26 and 27 in Pierre. There were six regional meetings held across the state to discuss surface transportation needs and funding solutions. Meetings were held in Yankton and Sioux Falls on July 1, Watertown and Aberdeen on July 2, and Belle Fourche and Rapid City on July 23.

## **Listing of Committee Members**

Committee Members: Senator Mike Vehle, Chair; Representative Mary Duvall, Vice Chair; Senators Bob Ewing, Jean Hunhoff, David Omdahl, Larry Tidemann, Chuck Welke, Jim White; Representatives David Anderson, Gary Cammack, Scott Parsley, Jim Peterson, Jim Schaefer, Mike Verchio, Dick Werner.

## **Listing of Staff Members**

Staff members: Fred Baatz, Principal Research Analyst; Stephanie Gruba, Fiscal Analyst; David Ortbahn, Chief of Research and Legal Services; Amanda Jacobs, Research Analyst; and Traci Thompson, Committee Secretary.

## **Jolene's Law Task Force**

### **Study Assignment**

The task force shall study the impact of sexual abuse of children in the state and make a report to the Legislature on the prevalence of sexual abuse of children in the state and make policy recommendations to address the following areas:

- 1) Methods to increase awareness of issues regarding sexual abuse of children, including warning signs that may indicate that a child is the victim of sexual abuse and the actions and language a child may use to express that they are a victim of sexual abuse;
- 2) The actions that a child who is the victim of sexual abuse could take to obtain assistance and intervention;
- 3) How to best provide support and assistance to children who are victims of sexual abuse;
- 4) Policies to encourage adults to take responsibility for the protection of children from sexual abuse and to respond appropriately when sexual abuse of a child is suspected;
- 5) Collaboration of public and private organizations to assist in the recognition and prevention of sexual abuse of children, using research and evidence based practice; and
- 6) Any other recommendation the task force deems appropriate in addressing this issue.

### **Summary of Interim**

The committee met for the first time in August, and discussed the tasks they were assigned. After the appointment of all fifteen members of the committee, the committee has concentrated on learning about the handling of childhood sexual abuse not only from a psychological perspective, but also from the agencies that frequently deal with the victims and perpetrators.

The committee has heard presentations and commentary from several of the members of the committee, as well as the Unified Judicial System, Department of Social Services, Department of Education, Reformed Sex Offender Lobby, Department of Criminal Investigation, Avera Saint Mary's Child Advocacy Center, the Department of Health, and others.

The committee has primarily explored what programs can be created to ease the reporting of sexual abuse by a child, educating adults on how to recognize and handle abuse victims, and services to treat victims after abuse. The committee has two more meetings scheduled for November 17<sup>th</sup> and December 1<sup>st</sup>.

### **Listing of Legislation Adopted**

N/A

### **Summary of Meeting Date and Places and Listing of Committee Members**

The Jolene's Law Committee met in Pierre on August 5<sup>th</sup>, September 15<sup>th</sup>, and October 14<sup>th</sup>, 2015. The committee plans to meet again on November 17<sup>th</sup> and December 1<sup>st</sup>, 2015.

Task Force members are: Senator Deb Soholt, Chair; Senator Alan Solano, Vice Chair; Representatives Jenna Haggar and Peggy Gibson; and Christine Bisek, Cam Corey, Dr. Nancy Free, Ann Larsen, Angela Lisburg, Jolene Loetscher, Hollie Strand, Virgena Wieseler, Colleen Winter, Daniele Dosch and TateWin Means

Staff members are: Amanda Reiss, Senior Legislative Attorney, Roxanne Hammond, Legislative Attorney, Jason Simmons, Senior Fiscal Analyst, and Cindy Tryon, Senior Legislative Secretary.

## **Legislative Planning Committee**

### **Study Assignment**

The LRC Executive Board asked the Legislative Planning Committee to conduct a two-year study of K-12 education to improve educational outcomes in South Dakota that includes the following: the education funding formula; all revenues, expenditures, and accounting practices for education; salary needs; school district budget reserves; and levels of various education funding tax levies.

### **Summary of Interim**

The committee met in June, July, and September, and will meet for a final time this year in November. The first three meetings were focused on information gathering. At the first meeting, members took an in-depth look at education funding in the state that included a review of the state aid formula and the property tax system in the state. Dr. Melody Schopp, the Secretary of the Department of Education, provided the committee with information on the statewide initiatives currently being undertaken by the department, and the goals and objectives the department is working toward to improve educational outcomes in the state.

At its second meeting in July, the committee focused on the capital outlay funds that are generated for each school district and the other revenues that school districts receive which are distributed outside the state aid formula. Committee members also heard from several school administrators from school districts in the state who described the teacher shortages they are experiencing and the difficulties those shortages are causing in their schools.

During the third meeting in September, committee members focused on school district reserves and on how school districts budget. They reviewed two possible legislative proposals that seek to equalize among the school districts some of the funds the districts currently receive in often disproportionate amounts outside the state aid formula, and one possible legislative proposal that seeks to ease the teacher shortage by providing an increase in the salaries of teachers.

At its upcoming fourth meeting, the committee will undertake a review of all the information gathered so far and chart its course for the meetings to follow next year. They will also discuss possible interim legislation that would repeal the foundation program fund, a fund created in state law years ago that at one time held the funds appropriated for the state aid formula, but is no longer being used.

### **Listing of Legislation Adopted**

Possible legislation will be discussed at the November 17<sup>th</sup> meeting.

### **Summary of Meeting Date and Places and Listing of Committee Members**

The committee met in Pierre on the following dates: June 16, 2014; July 21, 2014; and September 8, 2014. The committee is scheduled to meet on November 17, 2014.

## **Listing of Committee Members**

Members of the committee are Representative Scott Munsterman, Chair; Senator Mike Vehle, Vice Chair; Senators Corey Brown, Tom Jones, Ryan Maher, Bruce Rampelberg, and Billie Sutton; and Representatives Brian Gosch, Kristin Conzet, Jacqueline Sly, and Susan Wismer.

## **Listing of Staff Members**

Staff members for the committee are Clare Charlson, Principal Research Analyst; David Ortbahn, Chief of Research and Legal Services; Annie Mehlhaff, Chief Fiscal Officer; Traci Thompson, Committee Secretary; and Rena Ortbahn, Committee Secretary.

## **Rules Review Committee**

### **Study Assignment**

A review of proposed state agency rules.

### **Summary of Interim**

The Interim Rules Review Committee remains diligent in its oversight of executive branch agencies in the exercise of the agency's legislative authority regarding rule-making. The committee reviewed rules for the following agencies:

Department of Education: Board of Education, Department of Labor and Regulation: South Dakota Electrical Commission, South Dakota Investment Council, Department of Game, Fish and Parks, Department of Transportation, Department of Labor and Regulation: South Dakota Abstracters' Board of Examiners, Department of Environment and Natural Resources: Board of Minerals and Environment, Office of the State Auditor, Department of Labor and Regulation: South Dakota Retirement System, Department of Education: Board of Education, Department of Social Services: Child Care Services, Department of Social Services: Economic Assistance, Department of Social Services: Medical Services, Department of Social Services: Finance, Department of Game, Fish and Parks, Department of Social Services: Adult Services and Aging and the Department of Human Services: Developmental Disabilities, Department of Game, Fish and Parks, Department of Revenue: SD Commission on Gaming, Department of Social Services: Division of Economic Assistance, Department of Labor and Regulation: SD Athletic Commission, Department of Health: SD Board of Nursing, Department of Education: Board of Education, Department of Labor and Regulation: Plumbing Commission, Department of Agriculture: Animal Industry Board, Department of Game, Fish and Parks, Department of Transportation, Department of Labor and Regulation: Division of Insurance, Secretary of State: Board of Finance, Attorney General: Law Enforcement Officers Standards and Training Commission, Department of Corrections, Department of Transportation, Department of Revenue: South Dakota Commission on Gaming, Department of Revenue: South Dakota Lottery Commission, Bureau of Human Resources and Civil Service Commission, Department of Labor and Regulation: Division of Unemployment Insurance, Department of Human Services: Division of Rehabilitation Services.

At the November 12<sup>th</sup> meeting the committee will review rules from the Department of Education: Board of Education, Department of Agriculture: Division of Ag Development, Department of Game, Fish and Parks, Department of Transportation, Department of Labor and Regulation: Division of Insurance, and Department of Social Services: Division of Economic Assistance.

The committee and staff have reviewed the statutory authority and style and form for 1,053 rules thus far. Any additional rules filed between now and the December 16<sup>th</sup> meeting will be added to the agenda.

**Rule of Note** – The Office of the State Auditor has adopted a rule to require that claims seeking reimbursement from the State for travel expenses be received by the Office of the State Auditor within 60 days after the last day of travel.

### **Listing of Legislation Adopted**

No legislation is proposed as of the date of this report.

### **Summary of Meeting Dates and Places**

The Rules Review Committee met via the Dakota Digital Network (DDN) in Pierre and at other DDN sites in the state, via teleconference, and in person on the following dates: March 12, 2014; May 6, 2014; June 3, 2014; July 8, 2014; August 12, 2014; and September 16, 2014. The committee is scheduled to meet on November 12, 2014, and has tentatively set December 16, 2014, to consider any rules that need to be considered before the legislative session begins.

### **Listing of Committee Members**

Committee members were Representative Timothy Johns (Chair), Senator Mike Vehle (Vice Chair), Representatives Peggy Gibson and Anne Hajek; and Senators Jim Bradford and Jean Hunhoff.

### **Listing of Staff Members**

Staff members for the committee meetings were Doug Decker, Code Counsel, and Kris Schneider, Senior Legislative Secretary. Members of the research staff who performed the initial review for legality and style and form are – Chief of Research and Legal Services David Ortbahn, Principal Research Analysts: Fred Baatz, Tom Magedanz, and Clare Charlson, Research Analyst Amanda Jacobs, Senior Legislative Attorney Amanda Reiss and Legislative Attorney Roxanne Hammond. Marge Pirnat, Senior Legislative Secretary updated the administrative rules data base.

## **State-Tribal Relations**

### **Study Assignment**

The State-Tribal Relations Study Committee is an ongoing interim committee created in statute.

### **Study Assignment**

The State-Tribal Relations Study Committee is an ongoing interim committee that was created in statute (SDCL 2-6-20 through 2-6-23) in 1993 as a part of the state's reconciliation efforts. The statute directs the committee to make a continuing study of the relations between the state and its political subdivisions and the tribes and their tribal governments. The committee provides a forum within state government for discussion of issues affecting the Native American community and issues involving Tribal governments and State government. The committee also serves as a way of familiarizing legislators with such issues.

### **Summary of Interim**

The State-Tribal Relations Study Committee held two meetings during the 2014 Interim and will conduct a third meeting on December 1 in Pierre.

The first meeting was held on May 23 in Pierre. The meeting focused on reports from executive agencies, including the Department of Tribal Relations, the Department of Education, and the Department of Revenue regarding state-tribal tax agreements.

The second meeting was held on September 29 at the Fort Randall Casino. The meeting focused on special circumstances of schools in Indian Country and highlighted some of the steps the superintendents and non-profit organizations in the area have taken to ensure the students in the schools are successful.

### **Listing of Legislation Adopted**

None

### **Summary of Meeting Dates and Places and Listing of Committee Members**

The committee met in Pierre on May 23, 2014, in Fort Randall on September 29, 2014, and will conduct a third meeting in Pierre on December 1, 2014.

Members of the committee include: Senator Jim Bradford (Chair); Representative Troy Heinert (Vice Chair); Senators Chuck Jones, Ernie Otten, Billie Sutton, and Craig Tieszen; and Representatives Kevin Killer, Elizabeth May, Lee Qualm, and Mike Verchio.

Committee staff members are Amanda Reiss, Senior Legislative Attorney; Stephanie Gruba, Fiscal Analyst; and Cindy Tryon, Senior Legislative Secretary.

## **Tribal Economic Development Task Force**

### **Study Assignment**

The Tribal Economic Development Task Force was created by the 2014 Legislature (HB 1213). The task force was directed to evaluate issues associated with economic development needs, initiatives, and barriers affecting South Dakota's Native American population and South Dakota's Indian tribes and tribal governments. Specifically, the task force was directed to analyze business and economic sectors and segments having potential for higher levels of success, as well as other possible approaches to improve economic conditions. The task force was also shall directed to o address workforce availability, including education and skills, related demographics, salary and wage scales, and other issues affecting human resources necessary for the promotion of economic development for this segment of South Dakota's population.

### **Summary of Interim**

The Tribal Economic Development Task Force was established as a first of its kind, two-year task force between state representatives and representatives from each of the nine tribes. Because a task force between the nine tribes and the Legislature has not been attempted prior to this point, it is taking a significant amount of time to work towards achieving participation from each of the nine tribes. That being said, because this is a first of its kind task force, it is important to continue the purpose of the bill and the task force and utilize the two years to organize the membership and make the task force as successful as possible. Chair Haggar and the Department of Tribal Relations continue to work to make contact and have begun to make progress with some of the tribes. Additionally, Secretary Emery has just taken over the Department of Tribal Relations and November 4<sup>th</sup> was an election for numerous tribes and new leadership may take over at some tribes. As a result, the task force will continue to encourage the tribes to participate and remains optimistic that the task force will achieve participation from the tribes and still hopes to meet prior to the 2015 Legislative Session.

### **Summary of Meeting Date and Places and Listing of Task Force Members**

The Task Force did not meet this interim.

Committee members were: Representative Don Haggar, Chair; Senators Jim Bradford, Chuck Jones, Bruce Rampelburg, and Craig Tieszen; Representatives Elizabeth May and Kathy Tyler; and Mark De Vries.



Staff members were: Amanda Reiss, Senior Legislative Attorney; and Cindy Tryon, Senior Legislative Secretary.

## **Regional Watershed Advisory Task Force**

### **Study Assignment**

The Regional Watershed Advisory Task Force was created by the 2012 Legislature and directed to operate until January 2015 to address issues relating to watershed management, drainage, erosion, flood control, reclamation, and environmental protection and improvement of lands, soils, waters. The task force is to consider potential alternative organizational structures and entities to address such issues, including the proper role and structure for regional and local water and natural resources-related special purpose districts and local governments. The task force is also directed to review the role of special purpose districts and other state and local government entities with respect to drainage issues, including drainage management, resolution of drainage disputes, and recommendations for potential realignment of responsibilities for drainage matters.

### **Summary of Interim**

The task force has met twice this interim. Meetings were held on July 24th and September 24th. The final meeting of the task force is scheduled for November 24th.

After spending the last two interims on collecting information and getting public input, this interim the task force has concentrated on developing its recommendations to the 2015 Legislature. Four subcommittees of the task force have been working this interim on formulating the recommendations for consideration by the task force at its final meeting. Subject areas that the subcommittees have been working on this interim are mediation of drainage disputes; water management entities, including funding of best practices research and identification of water management assets; standardized disclosure of new projects and tracking of drainage and infrastructure activity; and the possibility of a retention pond pilot project.

A final report of the task force will be made to the Legislature as required by the legislation creating the task force.

### **Listing of Legislation Adopted**

Possible legislation will be discussed at the November 24<sup>th</sup> meeting.

### **Summary of Meeting Dates and Places**

The task force met in Pierre on the following dates: July 24, 2014, and September 24, 2014. The committee is scheduled to meet on November 24, 2014.

### **Listing of Task Force Members**

Members of the task force are Representative Brian Gosch (Chair), Senator Mike Vehle, (Vice Chair), Representatives Dennis Feickert, Leslie Heinemann, and Spencer Hawley; Senators Jason Frerichs, Tom Jones, and Jim White; and Dennis Duncan, Mike Jaspers, Paul Symens, Mike Traxinger, George Vandell, and Kim Vanneman.

### **Listing of Staff Members**

Staff members for the task force were David Ortbahn, Chief of Research and Legal Services, Roxanne Hammond, Legislative Attorney, Stephanie Gruba, Research Analyst, Kris Schneider, Senior Legislative Secretary, and Rena Ortbahn, Secretary.

